

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-14-26
Baltimore, Maryland 21244-1850



Center for Medicaid and State Operations
Disabled and Elderly Health Programs Group
Division of Integrated Health Systems

July 24, 2003

Mr. Stan Rosenstein
Director, MS 4000
Medical Care Services
California Department of Health Services
1501 Capitol Avenue, Suit 6086
Sacramento, California 95814

Dear Mr. Rosenstein:

I am pleased to inform you that the Centers for Medicare & Medicaid Services (CMS) is approving California's request for a 2-year continuation of its Medi-Cal Specialty Mental Health Services Field Test (San Mateo County) authorized under 1915(b)(4) of the Social Security Act (the Act). This approval provides for a waiver of the following sections of the Act: 1902(a)(1) Statewideness, 1902(a)(10)(B) Comparability of Services, and 1902(a)(23) Freedom of Choice, in order to permit California to continue to operate the waiver program from July 26, 2003, through July 25, 2005.

The decision to approve the renewal of this waiver is based on evidence submitted to CMS demonstrating that the State's proposal is consistent with the Medicaid program and will meet all statutory and regulatory requirements for assuring beneficiaries access to care, quality of services, waiver cost-effectiveness for section 1915 (b) waiver programs, and will not restrict emergency services.

Rules at 45 CFR Part 74 require a state to conduct open and free competition to the maximum extent practical. Further, a State conducting sole source procurement above \$100,000 must, upon request, provide procurement documents, including justification for the non-competitive procurement. Under the regulations, the Secretary of the Department of Health and Human Services has the discretionary authority to determine: (1) whether he agrees with a State's justification that utilizing a competitive procurement process is not practical; or, (2) whether an exception to the rule is appropriate. In the absence of any interim change in the CMS policy regarding competitive procurement referenced above, the State must be able to justify in their next renewal request the continuing use of this exemption.

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The CMS would like to remind the State that the new 1915(b) cost effectiveness test will be required for subsequent renewals or amendments of this waiver. The State should ensure that it has begun reporting expenditures on the CMS-64 by waiver no later than the quarter ending September 30, 2003. The State should also ensure that its expenditure reporting is consistent with the reporting requirements for the new cost effectiveness test. The CMS Central Office and Regional Office staff are available to provide technical assistance in this area should you need it.

In order to allow sufficient time for review, the waiver renewal request must be made 90 days before the expiration date of the waiver. Therefore, California must request that this waiver be renewed by submitting a request for renewal on or before April 18, 2005.

Please note that the Medi-Cal Specialty Mental Health Services Field Test (San Mateo County) Program will need to be in compliance with the Medicaid managed care final regulations published on June 14, 2002. All States and participating programs have until August 13, 2003, to come into compliance. We acknowledge your request under 1902(a)(4) of the Act, Methods of Administration, for waivers of some provisions of the Medicaid Managed Care Regulation (MMC). As you know, we continue to actively work with you on this request and appreciate the State's ongoing cooperation. We will address your MMC waiver requests in a separate letter. Therefore, please be advised that the approval of your waiver renewal does not constitute approval of your request for waivers of the MMC regulation.

We appreciate the State's efforts in continuing this program and wish you much success in the next waiver period. If you have any questions, please contact Gregg Ukaegbu in the CMS Central Office, at 410-786-5133 or Debra Baumert in the CMS San Francisco Regional Office, Division of Medicaid, at (415) 744-3580.

Sincerely,

/s/

Theresa A. Pratt
Director

cc:

Linda Minamoto, ARA Region IX
Debra Baumert, Region IX
Peggy Clark, Central Office